

Message Text

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43

ACTION NEA-10

INFO OCT-01 AF-06 ARA-10 EUR-12 EA-09 ISO-00 CIAE-00

DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-02

PRS-01 SP-02 SS-15 USIA-15 EB-07 COME-00 TRSE-00

FEA-01 OPIC-06 AID-05 IGA-02 OMB-01 /126 W

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P R 071319Z MAR 76

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC PRIORITY 4844

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USMISSION OECD PARIS

USMISSION EC BRUSSELS

USINT BAGHDAD

UNCLAS KUWAIT 1116

E.O. 11652: N/A

TAGS: ENRG, KU

SUBJECT: PARLIAMENT APPROVES KOC TAKEOVER AGREEMENT

REF: KUWAIT 915 (NOTAL)

1. KUWAIT NATIONAL ASSEMBLY FORMALLY RATIFIED KUWAIT
OIL COMPANY TAKEOVER AGREEMENT SATURDAY, MARCH 6.

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AGREEMENT BETWEEN GOK AND FORMER OWNERS OF KOC, GULF
AND BP, HAD BEEN REACHED LAST DECEMBER AFTER SEVERAL

MONTHS OF AT TIMES DIFFICULT NEGOTIATIONS. PARLIAMENTARY ACTION OCCURRED AFTER CLOSE SCRUTINY OF AGREEMENT BY ASSEMBLY'S FINANCE AND ECONOMIC AFFAIRS COMMITTEE (REFTEL).

2. THE VOTE WAS 38 FOR, NONE OPPOSED AND 26 ABSTENTIONS. THOUGH, IN THE END, PASSAGE IN LEGISLATURE WAS RELATIVELY SMOOTH COMPARED TO ASSEMBLY CONSIDERATIONS OF PREVIOUS (25 PERCENT AND 60 PERCENT) PARTICIPATION AGREEMENTS, LARGE NUMBER OF ABSTENTIONS AND RELATIVELY SMALL NUMBER OF YEST VOTES (WHICH INCLUDED GOVERNMENT MINISTERS) REVEALED UNCERTAINTY AMONG DEPUTIES AS TO ULTIMATE BENEFIT OF AGREEMENT TO STATE.

3. VOTING WAS NOT JUST FOR TAKEOVER AGREEMENT BUT ON THE FINANCE AND ECONOMICS COMMITTEE REPORT ON THE BILL WHICH INCLUDED RECOMMENDATIONS WHICH ARE NOW CONSIDERED AS PASSED. THESE RECOMMENDATIONS INCLUDE THAT 15 PERCENT BARREL DISCOUNT FOR GULF AND BP BE ELIMINATED, THAT AMINOIL AND ARABIAN OIL COMPANY BE NATIONALIZED AND THAT NATIONAL ASSEMBLY PASS ON ANNUAL KOC BUDGET.

4. ONE DEPUTY PROPOSED THAT A SPECIAL WATCH-DOG COMMITTEE BE ESTABLISHED IN THE ASSEMBLY TO OVERSEE THE PUBLIC SECTOR OIL INDUSTRY IN KUWAIT, BUT THIS PROPOSAL FAILED TO GAIN SUFFICIENT SUPPORT FOR PASSAGE. IN REPLYING TO THE PARLIAMENTARY DEBATE OIL MINISTER KAZEMI PROMISED TO GIVE CAREFUL CONSIDERATION TO THE ASSEMBLY'S RECOMMENDATIONS.

5. THE BILL ITSELF SAID THAT THE NATIONAL BATTLE HAS ONLY BEGUN NOW. IT IS A BATTLE OF CHALLENGES AND PRIORITIES. GREAT CAUTION SHOULD BE DISPLAYED IN HANDLING THE SOLE RESOURCE OF THE COUNTRY. WITH THIS IN MIND GOK URGED TO ESTABLISH A PROFIT-ORIENTED PETROLEUM INDUSTRY AND TO UTILIZE FULLY THE NATURAL GAS AND INVESTMENTS REVENUES. IT ALSO EMPHASIZED THE NEED FOR TECHNICAL TRAINING AND ADMINISTRATIVE DEVELOPMENT.

6. COMMENT BY SEPTTEL (NOTAL).

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